

## SETTLEMENT AGREEMENT AND RELEASE

This **SETTLEMENT AGREEMENT AND RELEASE** (the "Agreement") is made and entered into effective as of the 30<sup>th</sup> day of July, 2007 (the "Effective Date"), by and between ROYAL FINANCIAL, LLC (hereinafter "Royal") on the one hand, and the IOWA LOTTERY AUTHORITY f/k/a THE IOWA LOTTERY, DR. EDWARD STANEK, CEO of the Iowa Lottery Authority, and the STATE OF IOWA (hereinafter collectively the "State") on the other hand.

WHEREAS, Royal, and the State are presently parties to a lawsuit pending before the Iowa District Court for Polk County, captioned as Royal Financial, L.L.C. v. Iowa Lottery Authority, et al., Case No. CL102586 (hereinafter the "Lawsuit"), which involves disputed issues of law and fact; and

WHEREAS, the parties desire to fully settle any and all claims, charges, actions, causes of action or disputed issues of law and/or fact that have been raised or could be raised by any of the parties regarding Royal's involvement in the TouchPlay program and wish to reduce their agreement to writing;

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Payment by State. The parties hereto agree that in consideration of the mutual promises and conditions contained herein, the State shall pay Royal the sum of One Million Six Hundred Seventy-One Thousand Three Hundred Seventy and 50/100s Dollars (\$1,671,370.50). Payment shall be made upon approval of the payment by the State Appeal Board. Payment shall be made within thirty (30) days following the approval of the State Appeal Board. The Parties agree that approval and payment by the State Appeal Board is a condition precedent for this Agreement. The Attorney General's Office agrees to recommend approval and payment of this amount to the State Appeal Board. Should the State Appeal Board not approve Royal's claim as submitted, the parties agree that they will proceed with the Lawsuit rather than undertake any appeals of the Appeal Board's decision or other administrative remedies, and that the failure of the Appeal Board to approve Royal's claim as submitted shall not have preclusive effect on any claims or defenses of the Parties in this lawsuit.

2. Release and Discharge.

- a. Upon receipt by Royal of the amount set forth in paragraph 1, above, each Party to this Agreement shall mutually and completely release and forever discharge each of the other Parties, whether in an individual capacity, official capacity, or any other capacity, from any and all existing claims, demands, obligations, causes of action, damages, costs, expenses and compensation of any nature whatsoever, be they direct or indirect, in law or in equity, whether known or unknown, which each Party may have had, presently has, or may have in the future against the other relating to the parties' participation in the TouchPlay program, or any ownership or operation of TouchPlay machines.
- b. Said complete release and discharge shall apply equally to past, present and future officers, directors, stockholders, members, subsidiaries, parent companies, affiliates, partners, insurers, predecessors and successors in interest, departments, agencies, officials, and board members of any Party. The foregoing release and discharge shall be fully binding upon all the Parties, their agents, assigns and successors.
- c. The Parties agree that this release and discharge covers all injuries and damages, whether known or not, and which may hereafter appear or develop arising from the matters released through this agreement.
- d. The Parties agree that this Release is executed as a compromise settlement of a disputed claim, liability for which is expressly denied, and the payment of the above sum does not constitute an admission of liability on the part of any person or entity.

3. Dismissal By Royal. Immediately after receipt of the payment set forth in paragraph 1 above, Royal agrees to file a Dismissal With Prejudice of the Lawsuit in the Iowa District Court for Polk County. The parties agree to pay their own costs and fees. Royal will provide the State with a file-stamped copy of the Dismissal after it is filed.

4. Ongoing Cooperation. Royal agrees that upon execution of this Agreement, or within a reasonable time thereafter as agreed by the Parties, Royal will continue to make available all documents and things responsive to the Request for Production issued by the State and the Lottery in the Lawsuit. The State agrees to identify which boxes of documents responsive to the State's Request for Production are to be copied and provided pursuant to this provision. Royal agrees to permit the Attorney General's Office to review all non-privileged correspondence and electronic mail responsive to the State's Request for Production. The State agrees to identify the electronic mail and correspondence which are to be copied and provided pursuant to this provision. The State and the Lottery agree to provide reasonable reimbursement for the copying charges relating to any documents provided by Royal pursuant to this provision.

5. Integrated Agreement; Severability. This Agreement constitutes the entire understanding between the parties concerning the subject matter hereof. No other prior or contemporaneous representations, inducements, promises, or agreements, oral or otherwise, between the parties relating to the subject matter hereof and not embodied in this Agreement shall be of any force or effect. This Agreement shall not be modified except in a writing signed by all parties hereto. If any provision of this Agreement shall for any reason be held to be invalid, unenforceable, or contrary to public policy, whether in whole or in part, the remaining provisions shall not be affected by such holding.

6. Binding Effect. This Agreement is binding upon, and shall inure to the benefit of, the parties hereto and their respective heirs, representatives, successors and assigns.

7. Construction Against Party Drafting. The parties acknowledge that all parties, through their legal counsel, played an equal role in drafting and/or had an equal opportunity to review and/or modify the provisions set forth in this Agreement. Thus, in the event of any misunderstanding, ambiguity, or dispute concerning this Agreement's provisions, or interpretations, no rule of construction shall be applied that would result in having this Agreement interpreted against any party.

8. Review by Parties and Counsel. All parties acknowledge that they have carefully read this Agreement, and fully understand its meaning and intent. The parties also acknowledge that they have had the Agreement explained to them by their counsel, and they understand its legal consequences. The parties agree to all the terms of the Agreement, and are voluntarily signing below. The only consideration for the parties signing the Agreement are the terms stated herein, and no other promises or representations of any kind have been made by any person or entity whatsoever to cause them to sign this Agreement.

9. Applicable Law. This Agreement shall be governed by the laws of the State of Iowa. The parties, by their execution of this Agreement, submit to the jurisdiction of the courts of the State of Iowa and agree that venue shall be exclusively in Polk County, Iowa.

10. Captions. The section captions herein are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of such sections nor in any way affect this Agreement.

11. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall together constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each and every party hereto and delivered to each and every other party hereto.

**PLEASE READ CAREFULLY. THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.**

IN WITNESS WHEREOF, the parties hereto have duly executed this SETTLEMENT AGREEMENT effective as of the date first above written.

ROYAL FINANCIAL, L.L.C.

By: Randy Meyer  
Randy Meyer, Its President

Date: 8-1-07

STATE OF IOWA, IOWA LOTTERY AUTHORITY f/k/a THE IOWA LOTTERY, AND  
DR. EDWARD STANEK

By: \_\_\_\_\_  
Dr. Edward Stanek

Date: \_\_\_\_\_

Approved as to form:

\_\_\_\_\_  
Thomas J. Miller  
Attorney General for the State of Iowa

Julie F. Pottorff  
Jeffrey C. Peterzalek  
Deputy Attorney General  
Hoover Bldg, 2<sup>nd</sup> Floor  
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ATTORNEYS FOR STATE

Brown, Winick, Graves, Gross, Baskerville and Schoenebaum  
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Michael A. Dee  
Brian P. Rickert

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BASKERVILLE AND SCHOENEBAUM, P.L.C.  
666 Grand Avenue, Suite 2000  
Des Moines, IA 50309-2510  
Telephone: 515-242-2400  
Facsimile: 515-283-0231

ATTORNEYS FOR ROYAL FINANCIAL, LLC

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**ROYAL FINANCIAL, L.L.C.**

By: \_\_\_\_\_  
Randy Meyer, Its President


Date: \_\_\_\_\_

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DR. EDWARD STANEK**

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